

Management News

BUSINESS CONDITIONS & FORECASTS

American Management Association

330 West 42nd Street, New York 18, N. Y.

VOL. 17, NO. 8

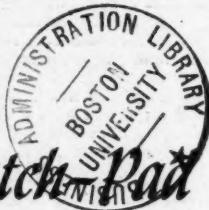
AUGUST 31, 1944

Copyright 1944
American Management Association



ALVIN E. DODD

The President's Scratch Pad



The Future of Personnel Administration

"When the cloudburst came, they reared up personnel departments and what not, very much as they would raise an umbrella . . . in time of storm. With an abating of the rain, they have discarded what they have considered merely a help in a troublesome period."

That quotation is taken from an address given in 1921 before the National Association of Corporation Training, one of AMA's forerunners. The "cloudburst" in question was World War I.

AFTER WORLD WAR II?

Not unnaturally, many personnel men are beginning to wonder whether history must repeat itself. They know that when business begins to thin itself down for the competitive struggle of the postwar period, every activity will have to justify itself, or be lopped off as an unnecessary "frill." In addition, they realize that their contribution is in large measure an intangible one, difficult to reduce to a dollars-and-cents basis.

A good part of this uneasiness, it seems to me, is without foundation. Top management is still from Missouri, but it has been shown and shown again over the past decade that it cannot flout human values without a kickback. Enlightened management has always recognized the importance of the human factor, and the less enlightened, having learned the hard way, are unlikely to forget the lesson.

THE EXAMPLE OF ADVERTISING

It must not be forgotten that at one time there were large numbers of so-called "hardheaded" executives who regarded the advertising budget as an unnecessary expense. But after their more modern-minded competitors had driven

them to the wall, the argument for advertising became unanswerable.

Similarly, events are confounding the critics of personnel management. The companies which have devoted intelligent attention to employee relations are the stables and most progressive in the country.

NOT TOO INTANGIBLE

This does not mean that the personnel man should sit back complacent in the consciousness that he is essential even if he can't prove it. So far as is possible, he should put himself in a position to justify the budget allowed his department.

Admittedly, techniques are lacking here. Where the advertising manager can point to sales figures, the personnel man has no over-all measure of his success or failure. But efforts must be started by personnel administrators to watch their costs and to devise ways of proving the value of their work. Incidentally, AMA would like to hear from those who have been thinking about this question, and would particularly appreciate notes on any methods they have devised.

Of course any such reckoning, no matter how carefully done, will certainly contain an element of arbitrariness, because no one will ever figure out exactly how much it costs to keep an employee happy. Industrial relations is a pervasive activity that cannot be sequestered in the personnel department but must permeate the plant from top to bottom.

Alvin E. Dodd.

TRENDS IN BUSINESS

GENERAL OUTLOOK

As the newspapers continue to unfold the story of Allied successes, it is hardly possible for the casual reader to escape a taint of that "complacency" which was so much inveighed against earlier in the war.

There are, however, a number of factors in the situation which make for uncertainty. First of all, it must not be forgotten that the United Nations in their rapid advance to the Seine have only been winning back territory they held from the beginning in World War I. Second, as the Germans retreat, their lines of communication are shortened, making the supply problem easier, and this, added to the natural stiffening of resistance expected when they reach their own frontiers, may make for slower progress. Finally, the possibility that there may be something more than words to Dr. Goebbels' talk of secret weapons must not be entirely discounted. From guarded accounts reaching this country, it is clear that the robot bombers are proving more effective than had been at first anticipated, and it is not beyond the realms of possibility that other new instruments are being developed. Nothing now, of course, can change the outcome, but the end can be considerably delayed.

All this means that business has a dual job: to press war production with every ounce of energy possible and, at the same time, to ready its postwar plans for instant application.

PRODUCTION

The decline in over-all production, which has been evident during the past several months, continues unchecked, despite substantial gains in some fields. For June the Cleveland Trust Company's index stood at 34.7 per cent (preliminary figure) above the computed normal level.

(Continued on page 2)

Trends in Business

(Continued)

compared to 36.9 per cent above in May, 38.4 per cent above in April, and 40.8 per cent above at the peak last October.

The steel production rate declined 4 per cent and output of non-ferrous metals 8 per cent, while lumber production was approximately 10 per cent below the June, 1943, level. Production of nondurable goods held its own, however, and mine production of metals and coal continued large, while output of crude petroleum continued to rise, reaching new records.

COMMODITY PRICES

Continuing the gradual rise which has been observed for the past several months, the Bureau of Labor Statistics index of wholesale commodity prices in June reached 104.1 (preliminary figure), the wartime high of May, 1943. The net increase, however, is distinctly moderate, as the low for the war period, the November figure, was 102.9.

DISTRIBUTION

Total retail trade in the United States amounted to \$32,113,000,000 in the first six months of 1944, the Department of Commerce reports, an increase of 8 per cent over the corresponding period in 1943.

NATIONAL INCOME

National income in June, the latest month for which figures are available, was \$12,176,000,000, a slight rise over the preceding month's figure but somewhat below the 1944 high reached in January.

During the first half of the year, the national income totaled \$72,537,000,000.

Because of an error in one of the source publications used in preparing this column, it was incorrectly stated in the June issue that a National Association of Real Estate Boards' survey indicates postwar housing construction will be limited to 300,000 units annually. Actually the survey shows that the volume may reach 400,000 units in the first postwar year, and that this figure may be gradually increased by 200,000 per year, up to 800,000 units.

SOURCES:

ALEXANDER HAMILTON INSTITUTE
BROOKMIRE, INC.
BUSINESS WEEK
CLEVELAND TRUST COMPANY
DUN'S REVIEW
FEDERAL RESERVE BANK OF
NEW YORK
NATIONAL CITY BANK

WHAT MANAGERS ARE SAYING

SICKNESS PAY

We, like many other companies, have had for some years a plan for sickness pay continuance during disability. It originated among office and supervisory employees many years ago, and in the last six or seven years has been extended to wage earners on substantially the same basis, except that an initial waiting period without pay has been required.

Unions are now making what I think is an organized attempt to include such provisions in all new contracts. Frankly I doubt that many managements have given sufficiently serious consideration to the cost of such plans, or to the moral hazard involved in not insisting on the inclusion therein of an initial waiting period without pay, especially in job categories where the daily work must be performed currently and kept up to date by a substitute during the illness of the incumbent. —Executive, Oil Company.

RETURNING VETERANS

Being a veteran of the last war with six stars in my campaign ribbon, I well remember that my difficulty upon returning home was not to get a job but to straighten out my thinking. This, I have observed, is also true of the majority who have returned from this war, and I am of the firm opinion that it is up to industry to take the lead in mental rehabilitation of the veterans in order that they may all the sooner return to gainful employment. What do I recommend?

1. Industry should endeavor to secure from the military authorities at least some of the findings of the psychiatrist and psychologist who examined the veteran at the time of his discharge. Why can't the military authorities believe that management has as large a stake in our country as they do, and that it knows how to keep secret confidential information?

2. Small local industries could divide the cost of the services of a good psychiatrist to study the situation in the area and set up a training program for every employee who directs the work of others. In this way all supervisors could be brought to realize the psychological problems with which the veteran will confront them, and be prepared to deal with those problems.

3. It has been said that Mother Nature is probably the best healer for the veteran who has been in the thick of it. Is there something to the thought that industry might set up some sort of manufacturing facilities in a farming area where the boys could work, say, four hours a day and have some sort of planned recreation, as well as taking care of the farm itself?

4. Most definitely I am sick and tired of hearing otherwise intelligent men and women say, "The government is going to do this or that." Whose fault is it except our own if we continue to look to Washington to run our local governments and practically run our industries? I believe that we should all wake up and do some of the running ourselves.

Our community has formed a veterans' council, which is well organized on paper and should do a good job for the veterans if it does not become a political and social football.—Personnel Director, Glass Company.

* * *

It is quite possible that there are so many agencies vying with each other in offering the veteran help and service that they actually complicate the problem for the employer.

In approaching this subject, my company

has avoided any general publicity. We have had no articles in magazines, newspapers, or pamphlets, but we did address a personal letter to each employee in the Service. We wanted him to feel not only that we would recognize all the obligations imposed on us by the Selective Service laws, but that we would have a very personal interest in helping him resume normal civilian life as soon as possible. Returns so far have indicated that the letter was very well received and that these men are taking a reasonable view of the problem.

We are now preparing a bulletin for our personnel and supervisory people, which not only sets forth our obligations under the Selective Service Act, and interpretations, but also calls to their attention the situations which will become problems for the personnel department and offers advice on how to meet them.—Manager, Department of Industrial Relations, Manufacturing Company.

PERSONALIZED SUPERVISION

In my opinion the growing dissatisfaction of so many workers is the result of a sense of frustration (particularly on the part of those who want to do a good job) and the further realization that it is an exceptional organization that is operated on truly democratic principles. Perhaps all the sound and tested principles of good management hinge on special attention to *personalized supervision*.

With delegation of authority down the line and a limited span of control for each supervisor, personal attention is possible at the point of direct observation of the work; individual performance and ability are recognized; and democratic operation is possible—assuming channels for recourse are provided in case of line failure at any point.

Some old principles, such as Graicunas' "span of control," may have been forgotten or may need intelligent adaptation, to be consistent with other enlightened concepts of relationships today.—Personnel Director, Insurance Company.

TRAINING SUPERVISORS

Training of management employees is our foremost postwar problem, and we are making preparations by weekly conferences of all members of management from top executives down to and including supervisors. In these conferences we take up all phases of management including: (1) leadership; (2) supervisory problems; (3) employee reactions; (4) company policy; (5) company problems; (6) the economic background of company operations—(a) economic theory which members of management should know, (b) nature and accomplishment of the private enterprise system.

In fact, we have two sets of conferences, one for production supervisors and the other for all members of management. The reason for the division is twofold: (1) because of the number of people involved; and (2) because of the difference between the actual supervisory problems of the two groups.

The conference of production supervisors is led by the factory superintendent, the other by the executive vice president. We are now planning to coordinate the subject matter of the two, and the executive vice president will probably devote one conference a month to the foremen or production supervisors.—Executive Vice President, Instrument Company.

RESEARCH DEPARTMENT

Industry-Wide Bargaining

Last year the C.I.O. crystallized the wishes of many member unions and made a strong demand for industry-wide bargaining. The number of employers and workers under industry-wide agreements has been increasing rapidly, with coal, glass, pottery and branches of transportation and textiles among the major industries covered. The war and the establishment of national and area panels by the National War Labor Board have materially strengthened the movement.

Under industry-wide bargaining, an agreement is negotiated collectively by representatives of a group of employers and representatives of a union or a group of unions. While this idea seems appealing, and its adoption is ever more urgently requested by labor, only little scientific study has been given to the subject. Hence consideration of some of the basic issues involved for management may give impetus to a much-needed airing of this topic.

ADVANTAGES

1. Simplification of company labor relations. Industry-wide bargaining may save valuable time for management since the job of negotiation can be delegated. Yet to enable effective delegation, the wage and working conditions of the individual company may have to be considerably adjusted to fit into the general pattern of the industry. The industry negotiators are likely to be more highly skilled and hence able to achieve better results than company negotiators. But as they will not have to live and work with the agreement, it may not be easy to carry it out. Again, the negotiating parties may get to know each other's idiosyncrasies and limitations better, but their very familiarity may breed dislike.

2. Equalization of bargaining power. In industries in which the individual employers are small and weak, their combined strength may help them "to hold their end up" better against strong unions. But the companies may not cooperate sufficiently, or the unions in combination may increase their power more than the companies.

3. Retention of competitive strength. If a given wage increase affects all competitors alike, it can be passed on more easily to the consumer, and no one em-

ployer may be seriously affected. But the very uniformity may lead to the triumph of mediocrity, and sometimes to the perpetuation of inefficiency at the expense of progress and initiative.

DISADVANTAGES

1. Wide differences in economic conditions. The great variations in costs, access to raw materials, local labor supply and managerial skill among major districts and units of American industry are often overlooked by those

who point to the success of industry-wide bargaining in certain foreign countries. In sugar, lumber and certain branches of the textile industry, for example, wages in the North are twice as high as in the South, and even so Northern firms frequently make a much higher profit. Hence the attempt to standardize wages and working conditions for the country as a whole would be impracticable in some industries, though this might not hold true for others—for instance, those which produce small items on a large scale.

2. Spreading of strikes. Industry-wide bargaining strengthens labor organiza-

(Continued on page 4)

HEARD AT AMA MEETINGS

MANAGEMENT SECURITY CLAUSES

The National War Labor Board is entirely receptive to management security clauses, according to Dr. George W. Taylor, Vice Chairman of the Board.

Speaking at the Collective Bargaining Conference, May 24, in New York City, Dr. Taylor said: "I know of no case in which the War Labor Board has thrown out proper management security clauses, such as those reserving the right to discharge. As a matter of fact, we have initiated the placing of such clauses in contracts."

DIDN'T SAY IT. BUT . . .

Plaint of an AMA member at the Collective Bargaining Conference: "I remember one time back in 1937 I was charged with having told a labor organization that I believed a works council was all right.

"At the hearing it was proved that I not only did not say it, but was not even present at the meeting at which I was supposed to have said it. But the trial examiner ruled that even if the facts showed I could not have said it, my anti-union attitude proved that I would have said it if I had been present."

INSURING POWER PLANT EQUIPMENT

"Blanket" or "group" insurance coverage for power plant equipment is now generally available, E. B. Pease, Secretary, Mutual Boiler Insurance Company of Boston, reported at the Insurance Conference, May 8-9, in New York City.

"Two or three years ago at an AMA insurance conference someone asked why it was not possible to obtain a policy which would give complete coverage on all kinds of power plant equipment from

the inception date of the policy, so that the responsibility for providing complete protection at all times would not hinge upon the discovery of newly installed objects by company inspectors or on the reporting of such objects by the insured. You may recall that someone else answered from the floor that such a policy was available. Actually, it was written by only one company. Now all companies have made provision for what is known as 'blanket' or 'group' coverage, so that it is possible to obtain from any company a policy designed to cover all power plant equipment of certain specified kinds or classes without actually describing any single object therein."

BUSINESS AND THE PUBLIC

The view that the public generally is "against business" is not supported by the facts, William L. Batt, Vice Chairman of the War Production Board and President of SKF Industries, Inc., believes.

Mr. Batt, who is Chairman of the Board of AMA, spoke at the annual meeting June 15 in New York City. "There are a good many false notions as to what the people of this country think about business, and especially large business," he said. "It will surprise a good many people when I say that the best studies to which I have access indicate that they definitely believe in the capitalistic system, and in the making of profits. They think well of business, and they like the leaders of business. They do not dislike business just because it is big. But they are intolerant of business which they think is not giving them a fair break."

ACTIVITIES of the AMA

Problems Anticipated in Manpower Reconversion to Feature Conference

Veteran Seniority and Rehabilitation, Future Manpower Policies To Be Discussed at Sessions September 27-29

A series of sessions calculated to bring together examples of various kinds of approaches to reconversion employment problems are being planned for the AMA Industrial Relations Conference to be held in New York City September 27-29.

The conference, which will take place at the Hotel Pennsylvania, will have the general theme, "Preparing for Manpower Reconversion." Wide surveys of management interests that the AMA has been conducting for the past six weeks have disclosed the major trends of thought on such phases of the reconversion process as: management's relative responsibility to its veterans and war workers; general policies to be adopted where layoffs are required; rehabilitation and training of war veterans; objectives of unions; wage conditions and wage controls; status of foremen, etc.

The sessions, which are being arranged under the direction of Ivan Willis, AMA Vice President for the Personnel Division, will be planned more along "clinic" and panel lines than any of the conferences heretofore. The object will be to bring as much experience to bear on a given problem as possible.

Packaging Division Headed by Authority On Specifications for Overseas

Albert W. Luhrs, who will serve as AMA's Vice President for the Packaging Division during the 1944-45 season, is President of the Container Testing Laboratories, Inc., and one of the best-known packaging authorities in the United States. As Chairman of the Container Coordinating Committee of the War Production Board (1942-43), he directed the preparation of the *Army-Navy General Specification for Packaging and Packing for Overseas Shipment*—which was later followed by the British Standards Institution in preparing the recently published *British Standard Packaging Code*.

FORMERLY WITH RAILROADS

Mr. Luhrs holds a B. S. in civil engineering and is a licensed professional engineer in New York State. He was formerly with the Erie Railroad; the Chi-

White Collar Veteran, Office Unionization To Be Discussed

Reemployment of the white collar veteran and the unionization of office workers are scheduled for major consideration at AMA's Office Management Conference, set for October 17 and 18 at the Hotel Pennsylvania, New York City.

Other discussions will deal with such topics as fundamentals of employee morale, microfilming, supervisory problems in the office, simplifying letter writing, developing the office manual, methods of job breakdown, job evaluation, records retention and destruction, and planning the office for flexible operation.

Henry E. Niles, AMA Vice President for the Office Management Division, is in charge of the program, assisted by members of the Office Management Division Planning Council.

cago, Burlington and Quincy Railroad, and the Bureau of Explosives and the Freight Container Bureau of the American Railway Association.

Mr. Luhrs organized the Container Testing Laboratories, Inc. in 1923, and since that time has acted as consultant to manufacturers of all types of containers and accessories, as well as to many container users.

WORK IN EUROPE

In the early 1930's he was requested by the principal Swedish, Norwegian, and Finnish pulp manufacturers to study the container industry on the Continent and suggest plans for modernization and improvement. This necessitated travel for three years, and the establishment of testing laboratories in England, France, Germany, Italy and other countries.

Research Department

(Continued from page 3)

izations, and with greater strength they may be more inclined to strike. Also, centralization of control may lead to local dissatisfaction, and some groups of workers may refuse to abide by terms which they had little or no voice in setting. On the other hand, the greatly increased stakes and possible losses of work stoppages may lead to a reduction in strikes.

3. *Monopolistic practices.* But the strongest indictment against industry-wide bargaining is based on more general grounds. Employers and workers may combine to restrict output and increase prices in order to obtain higher profits and wages. New firms and applicants may be refused entry into the field. Mechanical inventions may be held back. Thus total employment and income may be reduced, while the salaries and wages of the individuals who remain are increased at the expense of the community. Such an industry may become like a greedy boy who not only takes more than his share, but in scrambling for the cake spoils part of it. Finally, the personal power of some of the employers and labor leaders may be greatly enhanced, and in the ensuing struggle among powerful industrial groups the foundation and security of the industrial system itself may be endangered. While industrial bargaining may be sound, great care must be taken to make it so.

HEADS PACKAGING DIVISION



ALBERT W. LUHRS

y,
o
s
s
n
y
f
n
e
-
r
s
n
e
r
i
d.
k.
y
e
s
n
y.
a
r
e
n
e
r
s
n
e
l
e
d,
o.

N